

# UNIVERSITY OF IBADAN

## FACULTY OF LAW

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### LCI 201 – LAW OF CONTRACT

#### LEGAL CAPACITY TO CONTRACT IN NIGERIAN LAW:

#### A CASE-BASED ANALYSIS

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##### Assignment Question:

*Akintunde, a 17-year-old engineering student, purchased an iPhone from Alhaji Adamu, an agent of Express Telecommunication Merchandise, for the sum of ₦300,000, under an arrangement that he would pay monthly installments of ₦100,000. Shortly after Akintunde left the store, Akinkola—who had just exited a bar after consuming eight bottles of Star beer—staggered into the shop to buy a similar phone under the same installment arrangement. While about to leave the store, Akinkola turned back and requested that Alhaji Adamu sell him, on credit, an umbrella branded with the Apple logo, to protect him from being drenched by the heavy downpour.*

**What are the likely legal issues that may arise from the above facts?**

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## **1. INTRODUCTION**

Capacity to contract refers to the legal competence of a party to enter into a valid and enforceable agreement. It is one of the fundamental elements that determine the legitimacy of a contract. Capacity is not presumed universally; rather, it is assessed based on specific qualifications such as age, mental soundness, and sobriety.

The importance of legal capacity in contract formation cannot be overstated. It serves as a safeguard, protecting individuals and institutions from being unfairly bound to obligations they are not legally capable of understanding or fulfilling. Legal capacity is required so that people only enter into contracts when they fully understand what they are doing and are in a fair position to agree. This helps ensure that contracts are just and that the legal system treats everyone fairly.

In the Nigerian legal context, for a contract to be binding, all parties must be competent under the law—meaning they must understand the nature and consequences of their actions. The absence of capacity may render a contract void or voidable, depending on the circumstances surrounding the agreement. Specifically, Section 4 of the *Nigerian Contracts Act 1872*- a statute of general application- provides that parties must be of majority age, of sound mind, and not disqualified by any law to enter into a contract.

Similarly, under common law principles and judicial precedents such as *Nash v. Inman (1908)* and *R v. Prince (1875)*, minors and intoxicated persons are afforded legal protections, allowing them to void contracts made without full mental competence. In *Corpe v. Overton*, capacity to contract was defined as:

*“The legal ability of an individual to enter into a binding agreement, contingent upon their age, mental competence, and freedom from coercion.”*

Thus, capacity to contract is both a foundational principle and a critical determinant of a contract’s enforceability. A commonly accepted definition of a contract is "an agreement that the courts will enforce". In other words, an agreement that is binding at law. However, even when all other ingredients of a valid contract are present, the contract may still be declared illegal, voidable, or unenforceable if a defect- such as lack of capacity- is present.

Beyond such defects, certain individuals are granted special legal status in contractual transactions. This protective status aims to shield vulnerable persons- such as infants, mentally ill

individuals, intoxicated persons, and illiterates- from being exploited or defrauded during the process of entering contracts.

Judicial precedents have further clarified this concept. In *Labinjoh v. Abake*, the court examined the mental competence and age of the parties involved, emphasizing that individuals must understand the nature and consequences of their contractual obligations. The case stands as a critical reference in evaluating contractual capacity, especially for minors and individuals with mental impairments. In *Corpe v. Overton*, the court reinforced the principle that contracts entered into by minors are voidable at the minor's discretion, thereby protecting young individuals from exploitation. Likewise, in *Bell v. Lever Bros Ltd*, the House of Lords held that a person suffering from a mental illness who cannot comprehend the nature of a contract lacks the legal capacity to contract.

It is pertinent to note that capacity plays a cornerstone role in contract law, influencing the validity, fairness, and legal integrity of agreements. It serves not only as a shield for vulnerable parties but also as a mechanism for promoting trust and certainty in contractual relations. For example, in *Labinjoh v. Abake*, the court underscored the necessity for both parties to understand their rights and obligations, reaffirming that mutual understanding is central to contract validity.

## **2.APPLICATION TO HYPOTHETICAL SCENARIO**

In light of the legal principles governing contractual capacity, this essay addresses the legal issues arising from a hypothetical scenario involving Akintunde, a 17-year-old engineering student, who purchased an iPhone from Alhaji Adamu, an agent of Express Telecommunication Merchandise, for the sum of Three Hundred Thousand Naira (₦300,000.00), under an arrangement that he would pay in monthly installments of One Hundred Thousand Naira (₦100,000.00). Shortly after Akintunde left the store, Akinkola- who had just exited a bar after consuming eight bottles of Star beer- entered the shop and bought a similar phone under the same installment arrangement. As he was about to leave, Akinkola turned back and requested to purchase, on credit, an umbrella branded with the Apple logo, to protect himself from the heavy downpour. By way of addition to the foregoing, this scenario presents a number of legal issues relating to the capacity of parties to contract, particularly under Nigerian law and common law principles.

## 2.1. Akintunde's Legal Capacity as a Minor

Therefore, Akintunde is not legally bound by the terms of the contract with Express Telecommunication via Alhaji Adamu if he chooses not to fulfill them, as he lacks the legal capacity to contract under common law. The first issues are whether a valid and enforceable contract exists between Akintunde, a 17-year-old minor, and Alhaji Adamu, given that Akintunde is below the age of majority, and whether the goods purchased—particularly the iPhone and umbrella—may be regarded as “necessaries” under the law.

Contracts involving minors are voidable at their own option. That is, such contracts are not binding on the minor but are binding on the other party unless the minor repudiates the contract after attaining the age of majority. *The Infant Relief Act* defines a minor as an individual below the age of majority. Under common law, the age for entering into a valid contractual agreement is 21 years, which has been judicially affirmed in the *locus classicus* case of *Labinjoh v. Abake*. In that case, the court held that while the age of majority under customary law is the age of puberty, the common law position is that a person must be 21 years old to have the legal capacity to contract. Thus, the relevant legal principle for this case is the common law requirement that a person must be 21 years old to enter into a binding contract.

Akintunde's agreement with Alhaji Adamu therefore fails to satisfy one of the essential elements of a valid contract—capacity—as he is a minor. Under common law, Akintunde lacks the capacity to fully understand and evaluate the contract's terms and conditions. Upon attaining the age of majority, Akintunde may either repudiate (refuse to be bound by) or ratify (formally consent to) the contract. If he does not repudiate the contract within a reasonable time after reaching the age of majority, the contract may become binding on him. If the agreement between Akintunde and Express Telecommunication via Alhaji Adamu was made under customary law rather than common law, then *Labinjoh v. Abake* would still apply. Under customary law, the age of majority is the age of puberty, and Akintunde may be considered to have the capacity to contract.

### 2.2.1. Whether the iPhone is a Necessary

On the issue of whether the iPhone Akintunde bought is a necessary good: items classified as necessary goods and beneficial services are binding on a minor. **The Child Rights Act (2003)** affirms this, and in *Chapple v. Cooper*, necessary goods are defined as:

*“Those without which an individual cannot reasonably exist.”*

Based on this definition, it can be inferred that the iPhone Akintunde purchased on credit is not a necessary good. It constitutes extravagant spending, and he could have chosen a less expensive alternative, such as an Android phone. However, it cannot be conclusively stated that purchasing an iPhone is a lavish expenditure without considering Akintunde’s lifestyle. If he is accustomed to using luxury items regularly, it may be reasonable to deduce that the iPhone was a necessary good for him.

. The contract is thus voidable at his discretion. Nonetheless, given that general legal principles often have exceptions, the contract may still be enforceable if the iPhone is deemed a necessary good

### **3.2 Akinkola’s Intoxication and Legal Capacity**

The second legal issue is whether the contract between Akinkola and Alhaji Adamu is valid, considering that Akinkola was intoxicated at the time of entering the agreement, and whether his request for an additional item- the Apple-branded umbrella- on credit constitutes a binding contract in Nigerian law.

In Nigerian contract law, for a contract to be enforceable, as stated earlier, the parties should have the legal capacity to contract—namely, the ability to comprehend the nature and implications of the agreement. If a party is drunk, such a person may be deemed under the law to be unable to give valid consent if the intoxication is so severe that they cannot understand the contract. In *Galluccio v. Gallo (1929)*, the court held that to cancel a contract on the grounds of intoxication, the intoxicated party must prove two things:

- That they were so drunk that they did not know what they were doing.
- That the other party knew (or should have known) that they were intoxicated.

Similarly, *Chitty on Contracts (31st Edition)* clarifies that a contract entered into by an intoxicated person is not void but voidable, provided that the level of drunkenness affects the

party's ability to understand the contract. In *Owoo v. Ani* (1997) 6 NWLR (Pt. 509) 413, the Nigerian courts affirmed that intoxication, like minority or mental incapacity, may render a contract voidable.

Here, Akinkola consumed eight bottles of Star beer and was reported to have staggered into the shop. His drunkenness was evident and freely exhibited. Based on *Galluccio v. Gallo*, this level of intoxication indicates he likely lacked the mental clarity to understand the nature and consequences of purchasing an expensive phone on installment. Moreover, vendor Alhaji Adamu ought to have observed Akinkola's incapacitated state. The law imposes a duty on a merchant to avoid contracting with a party whose incapacity can be reasonably perceived. Akinkola's staggering, probable slurred speech, and dazed behavior would have been clear signals to any reasonable person.

Even further, Akinkola's outlandish request to buy an Apple-branded umbrella on credit- simply to shield himself from the rain- would serve as additional evidence of impaired judgment. In *Hart v. O'Connor* [1985] AC 1000, the court held that a contract made with a person who is of unsound mind is voidable if the other party was aware of the incapacity.

Thus, the contract between Akinkola and Alhaji Adamu is likely voidable at Akinkola's instance on the following grounds:

- He was so intoxicated that he lacked understanding of what he was doing.
- Alhaji Adamu knew or ought to have known of his drunken condition.

The proposed purchase of the umbrella further proves the absence of rational capacity, making the transaction unenforceable.

#### **4.2 Vicarious Liability and Trademark Infringement**

A further issue that arises is whether either Alhaji Adamu or the principal, Express Telecommunication Merchandise, should bear liability if either of the contracts is breached. Closely related is the issue of trademark infringement, as the brand name of the umbrella was not clearly identified, yet it bore a logo resembling that of Apple Inc.

Liability in contract law only arises where a valid and enforceable contract exists. According to *Section 2 of the Sale of Goods Act*:

*"Where necessities are sold and delivered to an infant or minor, or to a person who by reason of mental incapability or drunkenness is incompetent to contract, he must pay a reasonable price thereof."*

Therefore, if a contract is deemed invalid due to lack of capacity, enforceable obligations may not arise- unless the goods are classified as necessities. The doctrine of vicarious liability holds a principal accountable for the actions of their agent when those actions are carried out within the scope of their authority, including principal-agent or employer-employee relationships.

Regarding trademark infringement, **Sections 5(2) and 29 of the Trademarks Act** provide that infringement occurs when a party uses a mark that is identical or confusingly similar to a registered trademark in a way likely to deceive or cause confusion. **Section 29** also grants the right to sue and outlines unauthorised uses, including the reproduction of protected logos without consent.

In this scenario, it can be inferred that neither Akinkola (being intoxicated) nor Akintunde (being a minor) had full capacity to enter a binding contract. Consequently, the contracts are voidable at their instance. Nb Express Telecommunication Merchandise (the principal) may bear contractual liability for the sale of the iPhones, as the transactions were carried out within the scope of Alhaji Adamu's authority.

However, with respect to the Apple-branded umbrella, Alhaji Adamu may be personally liable. The umbrella does not fall within the category of goods typically sold by Express Telecommunication, nor does the transaction appear to have been authorised. Selling such an item without Apple's permission may also constitute trademark infringement, and since this act was carried out outside the agent's authority, liability would rest with Alhaji Adamu personally.

### **3. Conclusion**



In conclusion, both the agent and the principal may bear liability for the inconsistencies arising from these transactions. The principal, Express Telecommunication Merchandise, would be liable for the sale of the iPhones, as these transactions were conducted within the scope of the agent's authority. However, Alhaji Adamu may be personally liable for the sale of the Apple-branded umbrella, since that transaction was outside his authority and may constitute trademark infringement.

More broadly, the principle of capacity to contract is fundamental to ensuring fairness, informed consent, and legal enforceability in Nigerian contract law. It safeguards individuals who, due to age, intoxication, or mental incapacity, cannot fully comprehend the nature or consequences of their contractual obligations. This legal protection, however, is not without exception. For instance, where a contract involves necessities, or where the incapacitated party subsequently ratifies the agreement, the contract may still be enforceable.

Applying these principles to the facts, Akintunde's status as a minor renders his contract voidable at his discretion—unless the iPhone he purchased qualifies as a necessary, in which case enforceability depends on both legal standards and his personal context. Similarly, Akinkola's evident intoxication raises strong grounds for voidability, particularly as his erratic conduct suggested incapacity, and the vendor should have reasonably recognized this.

Beyond the issue of individual capacity, the scenario implicates additional doctrines, notably vicarious liability and intellectual property protection. While Express Telecommunication may be held vicariously liable for actions taken by its agent within the scope of his authority, Alhaji Adamu may bear personal liability for unauthorized transactions—particularly the sale of an umbrella bearing Apple's logo, which may amount to trademark infringement under Nigerian law.

Ultimately, this analysis reinforces that legal capacity is not a mere formality but a substantive safeguard. It promotes contractual justice by ensuring that parties enter agreements voluntarily, knowledgeably, and within the limits of the law. When these thresholds are not met, the law provides remedies not only to protect the vulnerable but to uphold the integrity of contractual relationships.

## **Table of Cases**

1. *Bell v Lever Bros Ltd* [1932] AC 161 (HL)
  2. *Chapple v Cooper* (1844) 13 M & W 252
  3. *Corpe v Overton* (1833) 10 Bing 252, 131 ER 901
  4. *Galluccio v Gallo* (1929) 240 NY 539
  5. *Hart v O'Connor* [1985] AC 1000, [1985] 2 WLR 383, [1985] 1 All ER 880 (PC)
  6. *Labinjoh v Abake* (1924) 5 NLR 33
  7. *Nash v Inman* [1908] 2 KB 1
  8. *Owoo v Ani* (1997) 6 NWLR (Pt 509) 413
  9. *R v Prince* (1875) LR 2 CCR 154
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## Table of Legislation

1. Contracts Act 1872 (Nigeria) s 4
  2. Infant Relief Act 1874 (UK)
  3. Child Rights Act 2003 (Nigeria)
  4. Sale of Goods Act 1893 (UK) s 2
  5. Trademarks Act (Nigeria) ss 5(2), 29
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## Books and Secondary Sources

1. I. E. Sagay, 'Capacity to Contract' in *Nigerian Law of Contract* (2nd edn, Spectrum Books, Ibadan 2000) 457–488
2. Hugh Beale (ed), *Chitty on Contracts*, vol 1 (31st edn, Sweet & Maxwell 2012)
3. Stephen Okangla, 'Contractual Capacity: An Indispensable Tool in the Formation of a Valid Contract' (2020)
4. A. Arishe, "Reforming the privity of contract rule in Nigeria," *Nigerian Juridical Review*, vol. 12, no. 3, pp. 45–62, 2022.